

Before the
UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Periodic Reporting
(Proposals Six and Seven)

Docket No. RM2012-7

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO ORDER NO. 1459

(October 5, 2012)

I. INTRODUCTION

The Postal Service filed a petition requesting that the Commission initiate a rulemaking proceeding to consider two proposals to change analytical principles.¹ The Public Representative hereby provides comments in response to Commission Order No. 1459 noticing the two proposals.² The proposals, discussed separately below, are labeled Proposal Six and Proposal Seven.

II. COMMENTS

Proposal Six – Use of Foreign Postal Settlement System Data for Reporting of Inbound International Revenue, Pieces, and Weights in the ICRA

The Postal Service proposes to use the Foreign Postal Settlement (FPS) system as the source for Inbound International revenue, pieces, and weight in the International Cost and Revenue Analysis (ICRA) report. Currently, the ICRA reports Inbound International revenue, pieces, and weights using the accounting data from the St. Louis

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposals Six and Seven), September 4, 2012 (Petition).

² Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposals Six and Seven), September 5, 2012 (Order No. 1459).

ASC. Petition at 4. Under the current methodology, there are often inconsistencies between the ICRA and the Revenue, Pieces and Weight (RPW) report, as well as the Postal Service's financial statements. As a result of these inconsistencies, the Postal Service files two versions of the ICRA: (1) an imputed version that relies on the accounting data; and (2) a "booked" version that is consistent with the financial statements and the RPW.³

The Public Representative recommends Commission approval of Proposal Six. The proposal would help to remedy data inconsistencies between the various financial reports. As the Postal Service notes, in Order No. 920, the Commission approved the Postal Service's request to use FPS data to estimate Inbound International revenue, pieces, and weight for the RPW report.⁴ Therefore, since the RPW currently uses FPS data as its source for Inbound International financial data, then it is reasonable for the ICRA to also rely on FPS data.

The Public Representative is concerned, however, with the Postal Service's plans to not fully implement Proposal Six when it files its FY 2012 Annual Compliance Report. In response to CHIR No. 1, question one, the Postal Service explains that the ICRA will continue to separately calculate revenues using settlement and conversion rates (imputed revenues).⁵ The Postal Service believes that it is best to treat FY 2012 as a transition year to "integrate the first full year of FPS data as used in RPW into the ICRA." *Id.* It is not clear to the Public Representative why this transition period is necessary. Nevertheless, the Public Representative recognizes that based on FY 2011 data, Proposal Six results in a less than two percent difference between imputed and booked ICRA total revenues. *Id.* Since the Postal Service suggests that FY 2012 be a

³ See Docket No. RM2009-10, Order on Analytical Principles Used in Periodic Reporting (Proposals Three Through Nineteen), Proposal Eleven, November 13, 2009, (Order No. 339).

⁴ Docket No. RM2011-12, Order Concerning Analytical Principles for Periodic Reporting (Proposals Four Through Eight), Proposal Four, October 21, 2011 (Order No. 920).

⁵ See Responses of the United States Postal Service to Questions 1-10 of Chairman's Information Request No. 1, September 21, 2012 (CHIR No. 1).

transition year, the Public Representative recommends that the Commission ensure that the Postal Service will use solely FPS data to report Inbound International revenues in subsequent Annual Compliance Report filings. Otherwise, there will continue to be data inconsistencies, however small, in the reporting of Inbound International mail.

Finally, the Postal Service acknowledges that Proposal Six does not fully alleviate the need to file both booked and imputed ICRAAs because the proposal does not address Outbound International Mail. The Public Representative encourages the Postal Service to investigate a way to improve the reporting of Outbound International Mail so that RPW data matches ICRA data. That way, only one version of the ICRA would be necessary.

Proposal Seven – TRACS Change to Parcel Densities

Currently, under the Transportation Cost System (TRACS) Highway Subsystem, the Postal Service distributes certain transportation costs to mail categories based on estimates of cubic-foot-mile proportions. For sampled letters, flats, and parcels, the Postal Service uses a periodically updated density study to obtain the cubic-foot component of its cubic-foot-mile distribution key. With the instant proposal, the Postal Service plans to replace the use of the study-based parcel densities to estimate the cubic-foot component.

Beginning in FY 2012, the Postal Service implemented changes to the TRACS Highway Subsystem that allow data collectors to record length, width, and height information for parcels during live TRACS sampling. Petition at 6. With this information, the Postal Service explains that it can determine the cubic-feet component of the distribution key directly from the dimensions of the sampled parcels. Thus, with Proposal Seven, the Postal Service plans to replace the study-based parcel densities with the parcel dimensional data that is now regularly captured in TRACS Highway

tests.⁶ *Id.* The Postal Service asserts that developing cubic-foot estimates directly from the dimensional data, without the interim density-study conversion process, improves the reliability of the cubic-foot component of the distribution key. *Id.*

The Postal Service also explains that approximately five percent of sampled parcels may not have useable dimensional data. In those circumstances, the Postal Service explains that it will use a smoothed composite four-quarter density ratio to convert sampled weight measures to cubic-feet measure. In response to CHIR No. 1, question 9, the Postal Service provided more detail on how it will develop the composite density ratios.

The Public Representative recommends that the Commission approve Proposal Seven. The proposal represents an improvement over the current methodology. Using actual dimensional data to develop the cubic-feet estimates, instead of study-based parcel densities, should make the distribution key more reliable.

III. CONCLUSION

The Public Representative hereby submits the foregoing comments concerning Proposal Six and Proposal Seven. Overall, both proposals are reasonable and would improve the Postal Service's costing methods.

Respectfully submitted,

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Docket No. RM2012-7

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⁶ Proposal Seven does not involve letters or flats.